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SUBJECT: FRENCH RESEARCH GETS A BUDGET BOOST

REF: (A) PARIS 1081 (B) 04 Paris 7224

1. Summary: With an additional one billion euros for research and 3000 more jobs, the Research and Higher Education Ministry (RHEM) looks like one of the few winners in the 2006 French budget process. Roughly one-third of the increase is allocated to public research labs and university research; one-third will serve as a fiscal incentive to promote innovation; and one-third will go to the recently established National Research Agency (NRA, ref A) to fund specific research projects in accordance with GOF priorities. Still anticipating the Research and Innovation Bill and a multiyear financial commitment, some in the science community remain skeptical. End summary.

New Budget Bottles...

2. On September 28, the GOF set out its 2006 budget. Because of a new Budget Law (septel), this budget is presented in a new format. Allocations are no longer associated with specific ministries but rather are presented by missions, programs, and specific actions. The 2006 budget includes 34 missions, a number of which involve more than one ministry. The "Research and Higher Education mission" is entrusted to a new entity, the interministerial Commission for Research and Higher Education (ICRHE), overseeing both the civilian budget for R&D and the Higher Education Budget. ICRHE in turn supervises 13 different programs--the 'metes and bounds' of which are still to be worked out--affecting seven ministries. The new budget tool is designed to provide a more holistic vision of scientific research funding and facilitate parliamentary oversight of the use of public funds. For the moment, however, with few disaggregated figures, the new budget presentation makes GOF comparisons with previous years difficult.

Just the figures

The ICRHE 2006 budget amounts to 20.7 billion euros, which amounts to a 4.4% increase over 2005. (This overall figure includes the Higher Education budget that was not within the purview of the Research Ministry in 2005 (ref B). The 2006 research (and higher education) budget is as follows in million of euros:

- Higher education/univ. research	10,125 (+10% vs. 2005)
- Scientific and technical research	3,602 (-02% vs. 2005)
- Space research	1,248 (+01% vs. 2005)
- Energy sector research	658 (+07% vs. 2005)
- Industrial research	527 (+24% vs. 2005)
- Other	4,527

Total	20,700 (Approx.)

(Detailed budget breakdowns are unavailable for either research disciplines or public research agencies.)

4. The 2006 budget is in line with President Chirac's commitment in 2004 to increase spending for government research by an additional one billion euros annually from 2005 to 2007. The budget increase for 2006 will be allocated as follows:

- 389 million euros will serve to reinforce/augment funding for traditional public research agencies and university research;
- 340 million euros are earmarked as tax incentives to boost industrial research in the private sector (1.2 percent of GDP presently);
- 280 million euros will be used to fund priority (public/private) research programs within the framework of the policy defined by the GOF. This money will be distributed via the NRA (see para 6).

"Priorities:" Merit-based Selection, Competitiveness,

International Attractiveness

15. The GOF will devote an additional 50.3 millions euros to reinforce its "most successful teams" in public research agencies. Part of the extra money is also earmarked for the development or modernization of national scientific equipment--such as SOLEIL (Synchrotron under construction at Saclay near Paris), GANIL (high resolution gamma-ray spectroscopy)-- and help France meet its international commitments (e.g. CERN, and European Southern Observatory ESO).

National Research Agency - New kid on the block

16. The GOF has begun an ambitious effort to rethink its R&D strategy, organization, evaluation, and funding as reflected in the forthcoming Research and Innovation Bill. The 2006 research budget reflects the increase in importance of the NSF-style National Research Agency (NRA) - in French, Agence Nationale de la Recherche (ANR). Its 2006 budget amounts to 590 millions euros, a 70 percent increase over 2005. It will be used to encourage basic and applied research programs selected on the basis of a competitive, merit-based review system; to help develop public/private partnerships; and to facilitate technology transfer to the economic world.

Not forgetting industrial research.

17. The annual budget of the Agency for Industrial Innovation, also established in 2005, is to increase significantly. The cumulative total funding for industrial innovation from 2005-2007 is to equal 2 billion euros. A more attractive version of the tax incentive for research (Credit d'Impot Recherche, or CIR) will be offered to French companies, together with specific tax relief for "Young Innovative Companies" and companies carrying out R&D in newly designated "competitiveness clusters." Subcontracting costs and expenses related to the hiring of young researchers will be taken into account (reduction of social security charges).

Public-private cross-fertilization

18. To encourage "cross-fertilization" between public and private research, the government will grant public research labs working in partnership with the private sector a specific label and additional subsidies (40 million euros to be distributed to these labs by NRA in 2006).

Adding Scientists to the payroll

19. The French government also announced the generation of 3000 new permanent posts in 2006: 1876 in universities (1079 teacher-researchers, and 797 engineers, technicians, and administrators); 1100 in public research agencies, and 24 for higher education in the agricultural sector. This effort will reportedly be "further pursued" in 2007. Research grants for junior researchers (PHD/postdoc), presently under the guaranteed minimum wages (or SMIG) in France, will be increased 8 percent in 2006 and again 8 percent in 2007.

But no multiyear financial commitment in sight

10. Aware of the deep discontent and growing expectations in the science community, PM Dominique de Villepin announced on September 29 that the 2007 research budget will benefit by a similar hike as in 2006 and promised that "the public effort in favor of research and higher education will increase to 24 billions euros in 2010," representing a 26 percent increase over 2004. Research Minister Goulard said that the GOF plans to devote an additional 19 billion euros to research between 2004 and 2010, which should "act as a powerful lever on the industrial sector and permit it to realize the EU 2010 commitment of 3 percent of GDP to research." However, French authorities have also been heard to say that the new research bill package will not include additional financial commitments beyond 2007.

11. Comment: Beyond the somewhat opaque 2006 budget figures themselves and the usual controversy about whether tax incentives should be considered as real budgetary funding, the science community awaits the final draft of the Research Bill. Many fear that it will blur the distinctions between research and industrial policy. While the science community at large does not appear ready to return to the streets, it remains watchful of the government's every move.

STAPLETON